

**A Plan for Completing Renovations
to the
Old Finance Building
and
Washington Building**

**Submitted
to
The Chairman of the Senate Finance and House Appropriation Committee**

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Background:

Item C-1.30, of Chapter 1042, the Budget Bill (Attachment 1), and Chapter 955 of the 2003 Acts of Assembly, the “Capitol Square Preservation Act of 2003” (Attachment 2) authorizes financing by the Virginia Public Building Authority (VPBA) for specific construction and improvement of certain buildings within the boundaries of Capitol Square. Specifically, the projects authorized by the Act are:

Renovate Capitol Building	\$54,492,000
Construct new northern entrance for Capitol Building	\$13,528,000
Renovate Old State Library to accommodate temporary closure of the Capitol Building	\$3,848,000
Construct and improve Capitol Square utilities	\$2,036,000
Renovate and expand Old Finance Building	\$31,520,000
Renovate Washington Building	\$13,146,000

The Capitol Building, Entrance for the Capitol Building, Old State Library, and Capitol Square Utilities are currently in varying design, and renovation phases. A building committee composed of the Secretary of Administration, Clerks of each house of the General Assembly, the Director of the Department of General Services, and the Director of Engineering and Buildings and a subcommittee of the Joint Rules Committee are providing oversight for those projects. The issues involved with those projects are not addressed in this plan.

The Act also authorizes the VPBA to undertake the construction and improvement of the Old Finance and Washington Buildings, but stipulates certain actions that must occur before the VPBA may issue bonds to finance these projects, they are:

- The preparation and presentation of a plan by the Governor for the Chairman of the Senate Finance Committee and the House Appropriations Committee on or before December 1, 2003, providing alternatives to the issuance of bonds for completing the Old Finance and Washington Buildings renovations
- Information on the feasibility of entering into public-private partnerships for completing renovations to the Old Finance and Washington Buildings.
- Identify the proposed tenants that will occupy the Old Finance and Washington Buildings upon completion of their renovations.
- Department of General Services (DGS) to provide written notice to the VPBA, no sooner than March 31, 2004, describing the scope of work and costs associated with renovations to the Finance and Washington Buildings by entities other than the VPBA.

This plan, satisfies the requirement of the first bullet, and is intended to satisfy each of the other stipulated actions. The feasibility of a public-private partnership to complete renovations to the Old Finance and Washington Buildings has been explored under the provisions of the Public-Private Education and Facilities Infrastructure Act 2002 (PPEA) and PPEA model procedures will be discussed as part of this plan. Included in this plan are tenant recommendations for both buildings. Also, this plan serves as written notice to VPBA of the scope of work and costs associated with completing the renovations.

Public-Private Education Facilities and Infrastructure Act 2002 (PPEA) Requirements:

The PPEA (Attachment 3) sets forth the provisions that both a public and private entity must comply with when considering a public-private partnership PPEA project. Certain provisions include:

- Declaration of public purpose
- Approval of qualifying projects by the responsible public entity
- Dedication of public property
- Comprehensive agreement
- Material default, remedies
- Exemption from certain Procurement Act requirements

Also, the PPEA required the development of a set of “**model procedures**” (Attachment 4) to be followed by both the responsible public entity and private entity pursuing a PPEA project. The Commonwealth developed, and the Governor approved, a single set of procedures which are to be followed by state agencies and institutions. Procedures are available electronically on the Secretary of Administration’s web-site at:

<http://www.administration.virginia.gov/Services/Vendors/PPEIA.cfm>

The model procedures provide, in more detail than the Act, requirements that must be complied with by both a public entity and private entity to consider solicited or unsolicited proposals in accordance with provisions of the Act.

Receipt of Unsolicited Proposals to Complete Renovations:

In February 2003, DGS received two unsolicited proposals to renovate existing and construct new buildings in and around the Capitol Square area. These two unsolicited proposals were submitted by two separate private firms in accordance with the PPEA and PPEA model procedures.

DGS made a decision to accept the two received proposals for PPEA conceptual stage (Part I) consideration, and in March 2003 posted public notice of its decision. In response to the public notice, four additional unsolicited proposals were submitted to DGS. Of the six unsolicited proposals received, five were selected for review in accordance with the PPEA model procedures conceptual stage process. One firm withdrew its proposal prior to initiation of the conceptual stage review.

The conceptual stage review was conducted by representatives from the offices of Secretary of Finance and Administration, and the Departments of Treasury, Planning and Budget, Historic Resources, and DGS. After a series of meetings in the months of May and June 2003, the review committee concluded that a single proposal offered the least cost and shortest renovation completion timeline than the others submitted. The committee, through the DGS Director,

recommended to the Secretary of Administration and Secretary of Finance that the firm who submitted the selected proposal move to the PPEA model procedures detailed stage (Part II) process. In July 2003, the Secretary of Administration and Secretary of Finance concurred with this recommendation. The firm that submitted the selected proposal is Trammell Crow Company (TCC), one of the largest diversified commercial real estate services companies in the world. They are currently the largest commercial developer in the country and have offices in McLean, Williamsburg, and Richmond, Virginia.

In July 2003, DGS notified TCC to begin preparing its detailed proposal in accordance with the PPEA model procedures. Beginning in July 2003, DGS and TCC began meeting weekly to discuss the TCC detailed proposal focusing on its scope of work, tenant occupancy, cost and renovation timeline related to each proposed project.

TCC included two renovation projects and one construction project in its proposal. They include:

- Renovate and provide an addition to the Old Finance Building
- Renovate the Washington Building
- Raze the 8th and 9th Street Office Buildings and construct a new state office building with a parking garage along Broad Street between 8th and 9th Streets (Broad Street Development)

In November 2003, TCC solidified its scope of work, cost and timeline for each project, and provided this information to DGS.

Summary of Renovations and Improvements:

The Old Finance Building built in the 1890's will be completely renovated, and as part of the renovation a new addition would be built on the East side of the original building. The Old Finance Building scope of work includes:

- Demolishing all interior materials and systems except for recently replaced slate roof, mosaic floor in lobby, central and terrace to mezzanine ornamental stairs and west side windows
- Demolishing and replacing the brick walks around the Old Finance Building in the Capitol Square grounds
- Landscape the renovated site
- Exterior restoration including basic repairs and cleaning of masonry and terra cotta work
- Re-pointing, or removing and replacing brick where necessary
- Resurfacing and cleaning of existing central stair and terrace to mezzanine marble stair treads
- Dismantling, cleaning and refinishing of existing rails at the central stair and terrace to mezzanine stair
- Waterproofing the existing building foundation
- Re-roofing and abating the wing and low roof areas

- Restoring the west façade windows and semi-replicating the remainder of the building windows
- Grinding and cleaning mosaic floor tile in lobby areas of each floor
- ADA compliant plumbing
- Two new cooling chillers and towers
- A complete new fire protection system
- Security systems including card reader access and closed circuit video

Old Finance Building Addition scope of work includes:

- Demolishing the existing building in the footprint of the new addition
- Relocating existing utility tunnel in the basement of the existing Old Finance Building
- Architectural Precast wall systems for new addition exterior façade except window areas, Precast facade will mimic jointing and texture of the Old Finance Building existing granite base
- The building structure is comprised of structural steel, composite metal deck with concrete fill
- New thermally efficient aluminum framed windows and curtain wall to complement (but not replicate) window on the Old Finance Building
- ADA compliant plumbing
- A complete fire protection system
- Security systems including card reader access and closed circuit video

The Washington Building scope of work includes:

- Demolishing all interior materials and systems except for interior perimeter plaster wall, lobby cores on each floor, structural systems, recently replaced parapet, marble floor in lobby and west side staircase
- Demolishing and replacing the brick walks around the Washington Building in the Capitol Square grounds
- Refurbishing the fountain in front of the Washington building
- Wood base and chair rail throughout the main corridors
- New roof and ladder at the new east stair being added to the building
- Replacing all existing windows replicating current window style
- Existing first floor lobby ceiling is to remain and be protected throughout renovation
- Carpet and paint at the corridors and new paint in elevator lobbies
- ADA compliant plumbing
- New HVAC equipment setting, hook-ups, start-up and testing
- A complete new fire protection system
- New fire detection and alarm
- Security systems including card reader access and closed circuit video

The proposed development of a new state office building along Broad Street contemplated two phases. First, the 8th Street Office Building would be razed and replaced with a new building and parking garage traversing the Broad Street frontage. The second phase would include razing the

9th Street Office Building and replacing it with a new building. Total gross square feet of new office space at completion of both phases would be approximately 443,000 square feet, with a parking facility that could park an estimated 600 vehicles, and connection to the General Assembly Building. The Broad Street Development scope of work included:

- Demolishing 8th and 9th Street Buildings
- Building a new concrete structural frame building and parking garage
- HAZMAT removal
- Storefront office/retail space facing Broad Street
- Primary entrances at 8th, 9th, and Broad Streets
- Stone floor main lobbies
- Caret core corridors
- Loading dock
- ADA compliant plumbing
- New HVAC equipment
- A complete new fire protection system
- New fire detection and alarm
- Security systems including card reader access and closed circuit video

Renovation renderings for each building can be found in Attachment 5.

Financing:

The TCC conceptual proposal included financing the renovation projects through a 501(C) 3 corporation by issuing tax-exempt bonds, then entering into an operational lease with the Commonwealth for a period of time sufficient to retire the corporation's bond debt. Analysis by the review committee determined that such a financing model would not be the most cost-advantageous to the Commonwealth.

In addition to evaluating the TCC 501(C) 3 financing approach, DGS and TCC explored several other financing strategies. These included monthly and quarterly progress payments, or a single lump sum payment at completion of renovations. All but the monthly progress payments resulted in increased project costs to the Commonwealth. The monthly progressive payment financing option eliminated pass through interest costs at TCC's cost of financing.

Therefore, the committee concluded that monthly progress payments financed through the VPBA, subject to the VPBA short-term financing rate, provided the most favorable financing option.

Timeline to Complete Renovations:

Through the detailed stage of the PPEA process, the delivery timeline for the Old Finance and Washington Buildings did not change from what TCC had originally included in its conceptual proposal. However, the Broad Street Development timeline shortened. This was a result of

master planning activities by DGS to resolve office space and parking needs around the Capitol Square area.

Completion timeline for the three projects:

- Old Finance Building – August ‘05
- Washington Building – December ‘06
- 8th/9th Street Demolition and Construction – December ‘06/May ‘07/August ‘08

See Attachment 6 for a more detailed timeline.

Proposed Tenants:

Currently the Old Finance Building is unoccupied. When renovations to the Old Finance Building and construction of a new addition are complete, 73,699 square feet of new usable office space will be available within the Capitol Square boundaries. Washington Building renovations will net approximately 106,206 square feet of available office space. Development of Broad Street would result in approximately 400,000 of new office space.

Building	Approximate Total Available Office Space
Old Finance with Addition	73,699
Washington	106,206
New 8 th /9 th Street	400,000

The Virginia Department of Agriculture and Consumer Services (VDACS) occupies approximately 63,810 square feet of office space in the Washington Building, as computed using state office space assignment standards. VDACS will need to vacate the Washington Building when it undergoes renovation. To provide VDACS with sufficient office space upon vacating the Washington Building, one of two options were considered:

- Swing space could be leased from private property owners in the Richmond area
- VDACS could move into the newly renovated Old Finance Building

The second option is the most favorable for the Commonwealth. It avoids the need to lease privately owned office space for a short period of time and costly renovations to leased space to meet VDACS needs. Also, if VDACS were to temporarily lease private space for the duration of the Washington Building renovations, it would need to make and pay for two agency moves within approximately 24 months. Moving VDACS to the Old Finance Building requires one move. TCC space planners have worked with VDACS to determine programming for the new building. It has been determined that renovations planned for the Old Finance Building will meet the design and square footage needs of VDACS.

VDACS space needs will not require all of the available useable office space in the Old Finance Building. There is sufficient space to locate additional state work units within the Building.

Therefore, the Lt. Governor's Office will be programmed into the Building. Also, the DGS, Bureau of Facilities Management section responsible for Capital Square grounds maintenance will locate its offices and storage needs on the ground floor of the addition.

Old Finance Building with Addition: Tenants and Space Needs	
State Activity	Required Usable Square Feet of Office Space
VDACS	67,139
Lt. Governor's Office	3,142
DGS Capitol Square Maintenance Office	3,418
Total Square Feet Needed	73,699
Total Usable Square Feet Available	73,699

Renovations to the Washington Building will result in approximately 106,206 square feet of usable office space. Numerous options for relocating state agencies from leased space exist and include the following examples. It is premature to make a final decision on permanent Washington Building tenants due to the on going master plan efforts and decisions being made involving improvements to other facilities in the Seat of Government. Some tenant mix options that will be considered include:

Option 1: Washington Building Tenants	
State Activity	Required Usable Square Feet of Office Space
Department of Juvenile Justice	42,000
Professional Occupational Regulation	46,000
Department of Employee Dispute Resolution	7,100
Total Square Feet Needed	95,100
Total Usable Square Feet Available	106,206

Option 2 Washington Building Tenants	
State Activity	Required Usable Square Feet of Office Space
DGS – Division of Engineering and Buildings	12,000
Department of Criminal Justice Services	37,000
Professional Occupational Regulation	46,000
Department of Employee Dispute Resolution	7,100
Total Square Feet Needed	102,100
Total Usable Square Feet Available	106,206

Option 3: Washington Building Tenants	
State Activity	Required Usable Square Feet of Office Space
Department of Medical Assistance Services	83,000
Public Defender	19,000
Total Square Feet Needed	102,000
Total Usable Square Feet Available	106,206

There currently exists no authority to move forward with development of the 8th and 9th Streets. Therefore, speculating on possible tenants to occupy a new 8th and 9th Street Office building is not practical.

Conclusion:

Item C-1.30, of Chapter 1042, the Budget Bill, and Chapter 955 of the 2003 Acts of Assembly, the “Capitol Square Preservation Act of 2003” authorizes financing by the VPBA for renovations to the Old Finance Building and Washington Building. The feasibility of entering into a public-private partnership for completion of these renovations has been evaluated from the review of five unsolicited proposals submitted to DGS under the provisions of the PPEA and PPEA model procedures. As part of the PPEA review process, project scope, timeline, costs and tenants for each building have been solidified.

Chapter 1042 and Chapter 955 authorized an amount of \$44,666,000 to complete renovations to the Old Finance and Washington Buildings. Investigating the feasibility of entering into a public-private partnership using the PPEA and PPEA model procedures has resulted in renovation costs of \$42,043,000. This \$2,623,000 reduction, will result in a reduction to the funding authorization necessary to complete those renovations.

Current Funding Authorization	Public-Private Partnership Renovation Cost	Amount of Authorization Reduction
\$44,666,000	\$42,043,000	\$2,623,000

Private financing alternatives were considered to finance the renovation costs. They included financing through a 501(C) 3 corporation, and having the developer (TCC) finance the costs. It has been concluded that financing these projects through the VPBA will result in lower interest costs than that available from the private financing alternatives. It is therefore recommended that the VPBA finance these projects.

This plan identifies employees of VDAC as the tenants that will move into the Old Finance Building when renovations are complete. For the Washington Building three tenant options are presented. It is premature to make a final decision on permanent Washington Building tenants at this time due to on going Capitol Square master plan efforts and decisions being made involving improvements to other facilities in the Capitol Square area.

The renovation timeline for completion of the Old Finance Building is July '05. Washington Building renovations will be complete in December '06. In addition to the completion of these renovations, the Old State Library and Capitol will have undergone renovation prior to January '07. The outcome of these renovation projects will be four newly renovated historic buildings within the Capitol Square area where state government and citizens of the Commonwealth will conduct business and for visitors to the Commonwealth for the Jamestown 400th anniversary celebration to see.

In addition to receiving proposals for renovating the Old Finance and Washington Buildings, TCC proposed demolition of the existing 8th and 9th Street Buildings and construction of a new state office building in their place.

Neither Chapter 1042 nor Chapter 955 authorizes funding for the Broad Street project. Therefore, moving forward with demolition and construction of this site at this time cannot be recommended as part of this plan. However, potential benefits to the Commonwealth would be realized should such a project be approved:

- moving state agencies from privately leased space to state owned and operated space
- additional parking spaces for legislators and staff, and state employees working on the West side of Capitol Square
- resolving costly and recurring maintenance problems of the existing buildings
- resolving life safety issues of the existing buildings

An option to consider though is to authorize continued planning for development of Broad Street, enabling detailed plans and specifications to be prepared for submission and consideration by the legislature during the 2005 session.